

<p align="center">2003-2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Special Assessment Maintenance District Funds

The Special Assessment Maintenance District Funds account for the maintenance districts that were created to provide special services for areas or items not considered to be normal City maintenance. In 2003-2004, the City operated fourteen maintenance districts and three community facility districts.

***Maintenance
Assessment District
Funds***

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 3,474	\$ 3,415	\$ (59)	(1.7%)
<i>Expenditure</i>	4,645	3,796	849	18.3%
<i>Fund Balance (est. *)</i>	6,721 *	7,123	402	6.0%

The negative revenue variance of \$59,000 is the result of receipts that trended slightly lower than anticipated in several of the districts. Three funds had the largest revenue variances. Revenues exceeded budgeted projections by \$23,000 in Community Facilities District #8 (Communications Hill). The additional revenue resulted from the expedited development of supplemental units in this district. Similarly, revenues exceeded budgeted projections by \$27,000 in Community Facilities District #2 and #3 (Aborn-Murillo and Silverland-Capriana). In these districts, development was also accelerated. In anticipation of this change, 2003-2004 revenue estimates were revised. As a result, revenue estimates differ from actual revenue received by only a small margin (\$10,000). By contrast, revenues were below budgeted projections by \$89,000 in Maintenance District #15 (Silver Creek Valley) as the result of aggressive contract negotiations that reduced funding needs. In anticipation of this change, 2003-2004 revenue estimates were also revised. As a result, revenue estimates varied from actual revenue received by \$13,000. Revenue variances in the 14 remaining funds were all below \$20,000, with an average variance of less than \$4,000.

Expenditure savings of approximately \$849,000 in this expenditure category reflect lower than anticipated maintenance costs in almost every district. Given the economic downturn, districts that renegotiated maintenance contracts received favorable bids. Further savings were generated as part of a concerted effort by maintenance district staff to cut costs while maintaining service levels. Five districts had large expenditure variances. In Maintenance District #1 (Los Paseos), savings of approximately \$143,000 were generated as the result of substandard performance by the contractor. Repair and renovation work was not completed and staff plans to rebid the contract in 2004-2005. Work performed in Maintenance District #15 (Silver Creek Valley) also

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SPECIAL REVENUE FUNDS (CONT'D.)

Special Assessment Maintenance District Funds (Cont'd.)

did not meet standards. Expenditure savings in this category, as a result, were \$348,000. In 2003-2004, there was not as much of a need for project work in Maintenance District #20 (Renaissance-N. First Landscaping), thereby generating savings of approximately \$49,000. In Maintenance District #21 (Gateway Place-Airport Parkway), there was a delay in construction at Skyport and Metro Drives. This delay contributed to a savings of \$54,000. In Community Facilities District #8 (Communications Hill), the developer decided to focus initial efforts on building more units and delaying the installation of landscape improvements for which the district would have provided maintenance. This renewed focus contributed to savings of \$49,000, and enables this new district to build up needed reserves faster than anticipated to ensure the best possible maintenance program.

The ending fund balance variance of \$402,000 is due to expenditure savings that exceeded the estimate by \$467,000, slightly offset by lower than anticipated revenues (\$65,000).